

**REMARKS/ARGUMENTS**


Claims 1-38 were canceled. Claim 39 was allowed and pending subject to satisfying the specification of the application that the examiner finds insufficient and unclear. By this amendment, all symbols in equations are clarified and corrections are made with respect to various typographical errors and figures in the specification. As these changes are made, a newly revised copy of the substitute specification is being attached hereto, as page and line numbers are changed.

Previously amended Claim 39 is being amended further to incorporate limitations of the previous amendment. This newly amended Claim 39 discusses portfolio rebalancing, which is incidental to the step of generating an optimal portfolio under a set of investment requirements. No new matters are introduced.

It also highlights one of the major inventions, which was not made clear previously, when in fact, the current invention introduces a new way of constructing capital market indexes. It views the market portfolio as a portfolio of various style indexes, which themselves are a portfolio of various individual securities. Modern Portfolio Theory is justified because each individual security can then be made a linear function of the market portfolio thus constructed. As the title of this invention suggests, this is in no way a new matter to the claims. Step of generating an optimal portfolio is one thing, but this invention uses the specially constructed market portfolio returns as one of the major determinants in selecting securities in a portfolio.

Therefore, the application should now be in condition for allowance.

Respectfully submitted,

By   
\_\_\_\_\_

Thomas A. Rhee

18 Ghiberti

Irvine, California 92606

Tel. (562) 833-7525

E-mail: [tara@csulb.edu](mailto:tara@csulb.edu)

Attachments: Exhibit A (Substitute Specification)  
Exhibit B (Substitute Drawings)

**EXHIBIT A**

**SUBSTITUTE SPECIFICATION**

**EXHIBIT B**

**SUBSTITUTE DRAWINGS**